



Entergy Arkansas, Inc.  
425 West Capitol Avenue  
P. O. Box 551  
Little Rock, AR 72203  
Tel 501 377 4457  
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REC'D IN  
REGULATORY AFFAIRS  
Steven K. Strickland  
Director  
Regulatory Affairs

01 NOV 20 PM 2 53

OFFICE OF THE  
EXECUTIVE SECRETARY

November 15, 2001

Mr. K. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: Tennessee Regulatory Authority Docket No. 01- 01023  
Entergy Arkansas, Inc. Request for Approval of a Plan of Refund

Dear Mr. Waddell:

Attached are the original and thirteen copies of Entergy Arkansas, Inc.'s (EAI) Application and supporting Direct Testimony of EAI witness Andrew P. Frits filed on August 31, 2001, in Docket No. 01-209-U before the Arkansas Public Service Commission (APSC) for approval of EAI's plan of refund of an estimated \$62.5 million for the Arkansas retail ratepayers for Grand Gulf capacity charges which EAI is scheduled to receive from System Energy Resources, Inc. as a result of Federal Energy Regulatory Commission orders.

On October 11, 2001, EAI, the Office of the Attorney General, Arkansas Electric Energy Consumers, and the General Staff of the APSC filed a Joint Motion to Approve Stipulation and Settlement Agreement which resolved all outstanding issues in APSC Docket No. 01-209-U. Attached is a copy of the Joint Motion along with supporting Stipulation Testimony of APSC Staff witness Donna Gray and Direct Testimony of EAI witness Steven K. Strickland.

Also attached is a copy of APSC Order No. 4 issued on October 15, 2001, approving the Settlement Agreement.

Attached is a check in the amount of \$25.00 for EAI's filing fee. EAI is requesting that the TRA issue an order approving or concurring with the APSC Order which will grant EAI the authority to implement this plan of refund for its Tennessee customers also.

POSTED  
11/21/01  
PAID  
11/20/01


Mr. K. David Waddell  
Page 2  
November 15, 2001

If you have any questions or need additional information, please do not hesitate to call me at (501) 377-4457 or Mr. Will Morgan at (501) 377-5489.

Sincerely,



SKS/tj  
Attachments

|   |  |
|---|--|
| SUPERIOR BANKING SUPERIOR BANKING SUPERIOR BANKING SUPERIOR                                   |  |
| TERESA L. JONES<br>PH 501-821-2221<br>16401 CHENAL VALLEY DR., #3304<br>LITTLE ROCK, AR 72223 | 3-01<br>DATE 11-15-01<br>81-7018/2829<br>21  |
| PAY TO THE ORDER OF <u>Tennessee Regulatory Authority</u>                                     | \$ 25.00   |
| <u>Twenty five and 00/100</u>   | DOLLARS  |
| <b>SUPERIOR</b><br>FEDERAL BANK<br>LITTLE ROCK, AR 72203-2220                                 |  Security features are included. Details on back. |
| FOR <u>Filing of EAT SERI Refund Plan</u>   | <u>Teresa L. Jones</u> MP  |
| ⑆ 28 29 70 18 1 ⑆ 536 14 78 70 02 ⑆ 160 ⑆   |  |

**DOCUMENTS FILED WITH THE  
ARKANSAS PUBLIC SERVICE COMMISSION**

**ON AUGUST 31, 2001**

**IN APSC DOCKET NO. 01-209-U**

**SYSTEM ENERGY RESOURCES, INC.  
REFUND FOR GRAND GULF CAPACITY CHARGES  
TO ENTERGY ARKANSAS, INC.**

AUG 31 3 49 PM '01

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE )  
APPLICATION OF ENTERGY )  
ARKANSAS, INC. FOR APPROVAL )  
OF A PLAN OF REFUND )

DOCKET NO. 01-209-U

APPLICATION FOR APPROVAL OF A PLAN OF REFUND

COMES NOW Entergy Arkansas, Inc. ("EAI" or the "Company") and for its  
Application for Approval of a Plan of Refund, states:

Parties and Jurisdiction

1. This Application is filed pursuant to Ark. Code Ann. § 23-4-205, which authorizes the Arkansas Public Service Commission ("APSC" or the "Commission"), to require jurisdictional public utilities, "following notice and hearing," to make refunds in certain cases in which refunds are "determined to be just and reasonable." Section 23-4-205(a).

2. The Company is a corporation organized and existing under the laws of the State of Arkansas, and is a public utility as defined by Ark. Code Ann. § 23-1-101 et seq. The Company's principal office is located at the TCBY Building, 425 West Capitol Avenue, Little Rock, Arkansas 72201. A copy of the

Company's Agreement of Consolidation of Merger (Articles of Incorporation) is on file with the APSC and is hereby incorporated by reference.

#### Background of Application

3. On July 31, 2000, the Federal Energy Regulatory Commission ("FERC") issued Order No. 446, 92 FERC ¶ 61,119 (2000), addressing a proposed amendment to Rate Schedule FERC No. 2, the Unit Power Sales Agreement ("UPSA") of System Energy Resources, Inc. ("SERI"). SERI sells capacity and energy from the Grand Gulf Nuclear Station ("Grand Gulf") under the UPSA to four of the five Entergy Corporation Operating Companies: EAI; Entergy Louisiana, Inc.; Entergy Mississippi, Inc.; and Entergy New Orleans, Inc. (collectively, the "Purchasing Operating Companies"). SERI filed a request for a rehearing of Order No. 446 on August 30, 2000. SERI's petition sought a rehearing of the FERC's determinations regarding SERI's return on common equity, its depreciation rates, and its capital structure. On July 30, 2001, the FERC issued Order No. 446-A, 96 FERC ¶ 61,165 (2001), denying SERI's request for a rehearing.

4. SERI filed tariffs in compliance with FERC Orders Nos. 446 and 446-A on August 29, 2001. As a result of Order No. 446, SERI must make certain refunds, with interest, to the Purchasing Operating Companies within 30 days of the FERC's acceptance of SERI's compliance filing. SERI is expected to

make a refund for Grand Gulf capacity charges to EAI in the fourth quarter of this year. Following the receipt of the refund from SERI, EAI could then provide a refund to its retail customers according to a method approved by the APSC.

5. EAI Exhibit APF-2, which is an exhibit to the Direct Testimony of EAI witness Andrew P. Frits filed herewith, shows an estimate of the SERI refund as of September 30, 2001, for EAI's retail jurisdiction. This estimate is still under review and will be updated to reflect the actual SERI refund to EAI when the refund is made. The total amount of the SERI refund and interest to be allocated to the Arkansas retail jurisdiction is currently estimated to be approximately \$62.5 million, which includes interest accrued from SERI from December 12, 1995, through September 30, 2001. EAI also proposes to accrue interest from the date the Company receives its SERI refund until the date on which the SERI refund is returned to customers. EAI is proposing to use, for this period, an interest rate equal to the after tax cost of money rate based on the benchmark rate of return on rate base used in the Company's Regulatory Earnings Review filed May 1, 2001.

#### Alternative Methods for Making Refunds

6. By this Application, EAI is proposing three different methods for the Commission's consideration by which the Company's Arkansas retail customers would receive the benefit of their portion of the SERI refund: (1) a credit on

customers' bills; (2) a check from EAI to each eligible customer; or (3) an offset to costs subject to the Storm Recovery Rider.

7. One method would be to credit the SERI refund to the bills of EAI's Arkansas retail customers. Under this option, customers of EAI who have an active account with EAI would receive a credit on their bill for the month after the date on which SERI makes its refund to EAI. For individuals who are entitled to a refund, as explained in Paragraph 14 below, but who no longer have an active account, their credit would first be offset against any outstanding accounts receivable, then those customers with a balance greater than a minimum refund amount of \$1.00 would be mailed to their last known address. Any refund checks returned and any refunds not claimed after three years, including those of less than \$1.00, would be applied as a credit against the bad debt expense of EAI as required by Ark. Code Ann. § 23-4-205(e)(2).

8. The proposed bill credit methodology is consistent with the refund methodology authorized by Ark. Code Ann. § 23-4-205 (c), (d) and (e), and with APSC orders in Docket Nos. 94-449-U, 91-220-U, and 89-160-U, in which the Commission approved bill credits by EAI to its Arkansas retail customers to reflect previous SERI credits to EAI.

9. As noted above, the Commission has addressed the proper method for making SERI refunds in at least three prior cases, Docket Nos. 94-449-U, 91-220-U, and 89-160-U, and in each case, the Commission held that the refunds should be passed along to retail customers in the form of bill credits. For example, Order No. 1, issued on February 28, 1995, in Docket No. 94-449-U, authorized the use of bill credits to return a SERI refund of approximately \$18 million to EAI's retail customers. Order No. 1 also set the minimum refund amount for former customers at \$1.00, as had been done in the previous cases.

More generally, the Commission found:

The proposed bill credit methodology is consistent with the recovery methodology utilized Grand Gulf Rider M33, with Ark. Code Ann. § 23-4-205 (c), (d), and (e), which establish standards for making refunds in a just and reasonable manner; and with APSC orders on similar issues in Docket Nos. 91-220-U and 89-160-U, in which the Commission approved bill credits by AP&L to its Arkansas retail customers resulting from credits received from SERI related to previous settlements of other Grand Gulf issues.

Order No. 1, Docket No. 94-449-U at 2.

10. Order No. 3 in Docket No. 89-160-U, entered on September 29, 1989, set the precedent for dealing with SERI refunds through bill credits. In that proceeding, the Commission considered three options EAI, then Arkansas Power & Light Company ("AP&L"), had put forward for handling a SERI refund: reducing Rider M33 rates, mailing checks to customers, or making bill credits. No party advocated reducing Rider M33 rates, and only the Attorney General supported mailing checks to customers. The APSC General Staff and Arkansas



Electric Energy Consumers supported use of the bill credits. The Commission agreed, finding that bill credits were "not only more efficient and faster but significantly less expensive...." Order No. 3, Docket No. 89-160-U at 5. The Commission also observed that credits provided the same economic benefit to customers without the inconvenience of having to cash a check.

11. If the Commission decides that flowing the SERI refund through to customers as a credit would not be in the public interest in this case, checks could be sent to individual customers. Because the anticipated refund will be substantially larger than previous refunds, the cost of sending refund checks will be smaller relative to the amount of the refund checks, which could support a departure from the APSC's precedent. Although Ark. Code Ann. § 23-4-205(c) limits the Commission's authority to require checks if the amount of the check would be \$10 or less, EAI would voluntarily agree to pass the SERI credit through to its retail customers by mailing refund checks to all customers entitled to a refund. This approach would avoid the confusion associated with some customers getting a check and other customers getting a bill credit. Individuals who were customers during the refund period but who no longer have an active account would receive a refund check, but their credit would first be offset against any outstanding account receivables, and any balance greater than a minimum refund amount of \$1.00 would then be mailed to their last known address. Any refund checks returned and any refunds not claimed after three

years, including those of \$1.00 or less, would be applied as a credit against the bad debt expense of EAI, as directed by Section 205(e)(2). This methodology is described in the Direct Testimony of Mr. Frits.

12. As another alternative, the Arkansas retail portion of the SERI refund could be offset against the costs EAI incurred in restoring service after the December 2000 ice storms. EAI currently has pending before the APSC, in Docket No. 01-084-U, an application for approval of a Storm Recovery Rider ("Rider SR"), which is designed to recover approximately \$170 million in storm-related operating and maintenance costs. Using the SERI refund to reduce storm costs would allow the Commission to reduce the amount of the Rider SR charge, which, as proposed, would be about \$2.50 a month for a residential customer using 1,000 kWh, or to reduce the recovery period, now estimated to be about 78 months.

13. The use of the SERI refund to defray storm costs would avoid the expense of mailing refund checks to current and former customers, and also would avoid the programming effort and administrative costs involved in showing the credit on customers' bills. As noted above, it also would allow the Commission to substantially mitigate the impact on customers of the Rider SR charge by reducing the proposed residential rate from \$2.50 a month to about

\$1.57 a month, or by reducing the projected recovery period of 78 months to about 45 months, or some combination thereof.

#### Calculation of the Refund

14. If the retail portion of the SERI refund is made available to individual customers as a bill credit or check, EAI proposes that the individual refunds be calculated according to the procedures approved by the APSC in Docket No. 94-449-U. The retail portion of the SERI refund would be allocated to EAI's retail rate classes based on the relative proportion of revenues from each class to the total rate class revenues in EAI's last general rate case, Docket No. 96-360-U. The refund amount allocated to each rate class would be divided by billing determinants (kW or kWh) for that rate class during the most recent twelve-month period. The refund rate for each class would then be multiplied by the total billing determinants for the same period for each customer within that class to determine the refund amount due each customer. See, EAI Exhibit APF - 3. As explained in Mr. Frits' Direct Testimony, this is the same procedure that has been followed in previous cases.

#### Service List

15. EAI requests that the following individuals be included on the service list in this proceeding.

Steven K. Strickland, Director, Regulatory Affairs  
Entergy Arkansas, Inc.

P. O. Box 551  
Little Rock, Arkansas 72203-0551  
Telephone: (501) 377-4457

Jeff Broadwater, Assistant General Counsel  
Entergy Services, Inc.  
P. O. Box 551  
Little Rock, Arkansas 72203-0551  
Telephone: (501) 377-4372

WHEREFORE, ENTERGY ARKANSAS, INC. respectfully requests the  
Commission to issue an order:

- 1) identifying the refund method to be used to refund an estimated  
\$62.5 million in SERI refunds, plus interest, to EAI retail customers;
- 2) approving the calculation procedure proposed by the Company in  
the Direct Testimony of Mr. Frits; and
- 3) granting it all other necessary and proper relief.

Respectively submitted,

ENTERGY ARKANSAS, INC.

By:



Steven K. Strickland, Director  
Regulatory Affairs - Arkansas  
Entergy Arkansas, Inc.  
P. O. Box 551  
Little Rock, Arkansas 72203  
Telephone: (501) 377-4457

DATED this 31 day of August, 2001.

AUG 31 3 49 PM '01

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE  
APPLICATION OF ENTERGY  
ARKANSAS, INC. FOR APPROVAL  
OF A PLAN OF REFUND

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DOCKET NO. 01-209-U

DIRECT TESTIMONY

OF

ANDREW P. FRITS

DIRECTOR, REGULATORY SUPPORT

ENTERGY SERVICES, INC.

ON BEHALF OF

ENTERGY ARKANSAS, INC.

AUGUST 31, 2001

1    **I.       INTRODUCTION**

2    Q.    PLEASE STATE YOUR NAME, BUSINESS ADDRESS, EMPLOYER AND  
3           JOB TITLE.

4    A.    My name is Andrew P. Frits. My business address is 425 West Capitol,  
5           Little Rock, Arkansas 72201. I am employed by Entergy Services, Inc.  
6           ("ESI") as Director of Regulatory Support.

7

8    Q.    PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL  
9           BACKGROUND.

10   A.    A summary of my education and work experience is included as EAI  
11          Exhibit APF-1.

12

13   Q.    ON WHOSE BEHALF ARE YOU SUBMITTING THIS TESTIMONY?

14   A.    I am submitting this Direct Testimony to the Arkansas Public Service  
15          Commission ("APSC" or the "Commission") on behalf of Entergy  
16          Arkansas, Inc. ("EAI" or the "Company").

17

18   Q.    HAVE YOU PROVIDED EXPERT TESTIMONY BEFORE THIS  
19          COMMISSION PREVIOUSLY?

20   A.    Yes. I have provided Direct Testimony before the APSC in Docket No. 99-  
21          249-U on EAI's cost-of-service study to unbundle EAI's retail rates in  
22          Arkansas, in Docket No. 00-077-U on the redetermination of the annual  
23          Energy Cost Rate, in Docket No. 00-329-U on the proposed merger of

1 FPL Group, Inc. and Entergy Corporation (which was subsequently  
2 withdrawn), in Docket No. 01-024-TF on the Energy Allocation Factor  
3 used in Rate Schedule No. 38 – Energy Cost Recovery Rider, and  
4 Supplemental Testimony in Docket No. 00-383-U on EAI's request to  
5 transfer transmission assets.

6  
7 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

8 A. The purpose of my testimony is to address the refund EAI will receive from  
9 System Energy Resources, Inc. ("SERI"), the owner of the Grand Gulf  
10 Nuclear Station ("Grand Gulf"), as the result of an order issued by the  
11 Federal Energy Regulatory Commission ("FERC") on July 30, 2001, which  
12 denied SERI's request for rehearing of the July 31, 2000 order in FERC  
13 Docket No. ER95-1042-000 ("FERC Order"). The FERC Order resolved a  
14 SERI case relating to revised rates for capacity purchased from Grand  
15 Gulf. I will provide information concerning when the refund from SERI to  
16 EAI is anticipated to occur, identify options for how the Commission can  
17 return the retail portion of that refund to EAI's retail customers, and  
18 present a recommendation as to how to calculate each retail customer's  
19 portion of the refund.

20  
21 **II. SERI REFUND**

22 Q. PLEASE EXPLAIN THE RELATIONSHIP BETWEEN EAI AND SERI.

1 A. SERI, a subsidiary of Entergy Corporation, is a nuclear generating  
2 company whose sole asset is its 80 percent ownership interest and 10  
3 percent leasehold interest in Grand Gulf. SERI sells capacity and energy  
4 from Grand Gulf to four of the Entergy Corporation Operating Companies:  
5 EAI, Entergy Louisiana, Inc.; Entergy Mississippi, Inc.; and Entergy New  
6 Orleans, Inc. (collectively, the "Purchasing Operating Companies") under  
7 the Unit Power Sales Agreement, which is designated as FERC Rate  
8 Schedule No. 2. The FERC allocated 36 percent of the capacity from  
9 SERI's ownership share and leasehold interest of Grand Gulf to EAI in  
10 Opinion No. 234, in Docket Nos. ER82-616-000 and ER82-483-000.

11

12 Q. PLEASE PROVIDE A BRIEF DISCUSSION OF THE HISTORY OF THE  
13 PROCEEDING IN FERC DOCKET NO. ER95-1042-000.

14 A. SERI filed a request with the FERC on May 12, 1995 seeking to update  
15 the level of certain costs and provide for annual, rather than monthly,  
16 redetermination of the capacity charges to the Purchasing Operating  
17 Companies. The most significant changes to SERI's rate proposal were:  
18 (1) an increase in SERI's Rate of Return on Common Equity ("ROE") from  
19 11 percent to 13 percent; (2) an increase in the depreciation accrual rate  
20 from 2.85 percent to 3.33 percent; (3) the use of the net proceeds method  
21 (instead of the gross proceeds method) for calculating SERI's long-term  
22 debt ratio; and (4) an increase in the annual decommissioning expense.  
23 On July 3, 1995, the FERC accepted SERI's filing, suspended it for five



1 months, and set it for hearing. 72 FERC ¶ 61,003 (1995). Pursuant to  
2 FERC regulation, the proposed rate change went into effect December 12,  
3 1995, subject to refund.

4 On July 11, 1996, the Presiding Judge issued the initial decision  
5 ("Initial Decision"). 76 FERC ¶ 63,001 (1996). In part, the Initial Decision  
6 (1) approved an ROE of 10.8 percent; (2) accepted the proposed increase  
7 in the depreciation accrual rate from 2.85 percent to 3.33 percent; (3)  
8 rejected SERI's proposal to use the net proceeds method for calculating  
9 SERI's long-term debt ratio; (4) rejected SERI's proposal to calculate its  
10 cost rate of debt using the embedded cost method rather than using a  
11 yield-to-maturity method; (5) rejected SERI's annual redetermination  
12 proposal; and (6) specified certain changes to the decommissioning  
13 expense parameters.

14 On July 31, 2000, the FERC issued an order affirming in part,  
15 reversing in part, and modifying in part the Initial Decision. 92 FERC ¶  
16 61,119 (2000). This order adjusted SERI's ROE to 10.58 percent for the  
17 period from the effective date of the filing to the date of the July 31, 2000  
18 order and to 10.94 percent for the period thereafter. The FERC reversed  
19 the Presiding Judge's decision regarding depreciation and denied any  
20 increase in the depreciation accrual rate above the existing rate of 2.85  
21 percent. The FERC approved SERI's proposal to use the embedded cost  
22 method for determining the cost rate of long-term debt, but affirmed the  
23 Presiding Judge's Initial Decision on SERI's proposal to use the net

1 proceeds method for deriving its long-term debt ratio. The FERC affirmed,  
2 in part, and modified, in part, the Initial Decision regarding  
3 decommissioning expense parameters. The most significant modification  
4 to the decommissioning expense parameters was the affirmation of  
5 SERI's proposed 5.5 percent nuclear cost escalator.

6 On August 30, 2000, SERI requested rehearing asking that the  
7 FERC reverse the following three rulings: (1) setting SERI's ROE at 10.58  
8 percent from December 12, 1995 through July 31, 2000 and 10.94 percent  
9 thereafter; (2) rejecting a proposed increase in SERI's depreciation  
10 accrual rate; and (3) rejecting a proposal to use the net proceeds method  
11 for calculating SERI's long-term debt ratio.

12 On July 30, 2001, the FERC denied SERI's request for rehearing.  
13 96 FERC ¶ 61,165 (2001). This action concludes the proceeding, which  
14 will result in a refund from SERI to the Purchasing Operating Companies  
15 to refund the difference in capacity charges billed, subject to refund, and  
16 the capacity charges approved in the FERC Order.

17  
18 **III. RETAIL RATE EFFECT**

19 Q. HOW ARE EAI RETAIL CUSTOMERS AFFECTED BY THE SERI RATE  
20 CASE?

21 A. EAI's retail customers are billed Grand Gulf capacity costs through the  
22 Grand Gulf Rider M33 ("Rider M33"). From December 1995 through  
23 September 1997, Rider M33 included EAI's portion of the Grand Gulf

1 capacity cost at the level proposed by SERI in its May 12, 1995 filing  
2 which became effective, subject to refund, on December 12, 1995. In  
3 October 1997, EAI revised the level of capacity charges included in the  
4 Rider M33 rate update to reflect the Presiding Judge's Initial Decision. As  
5 a result, EAI's retail customers were billed through Rider M33 a higher  
6 Grand Gulf capacity charge than the FERC ultimately approved.  
7 Therefore, the Company's retail customers will receive a refund for the  
8 difference between the level of capacity charges at which they were billed  
9 through Rider M33 and the level ultimately approved by the FERC.

10  
11 Q. HOW MUCH OF THE SERI REFUND WILL BE APPLICABLE TO EAI  
12 RETAIL CUSTOMERS?

13 A. The exact amount of the refund will not be known until SERI issues  
14 revised bills containing the final costs based on the FERC approved  
15 compliance tariff. Upon FERC acceptance of the tariff, the refund from  
16 SERI to the Purchasing Operating Companies will be computed. For  
17 illustrative purposes, EAI estimates the refund to its retail customers  
18 through September 30, 2001, including interest through that date, will be  
19 approximately \$62.5 million. This estimate is still under review and will be  
20 recalculated upon receipt of the approved compliance filing. Interest will  
21 continue until the time EAI makes its refund to its retail customers. EAI  
22 Exhibit APF-2 sets out the development of this estimate through  
23 September 30, 2001, reflecting the retail jurisdictional allocation factor

1 applicable to Grand Gulf capacity charges and EAI's retained share of its  
2 allocated portion of Grand Gulf. A few of EAI's larger customers are on  
3 special fixed rate contracts which are not impacted by Rider M33, and  
4 consequently, will not be entitled to participate in the refund.  
5

6 **IV. REFUND PROCEDURE**

7 **A. Method of Refund**

8 Q. HAS THE APSC AUTHORIZED REFUNDS IN PREVIOUS CASES?

9 A. Yes. The Company has initiated three proceedings for refunds to retail  
10 customers for credits received from SERI for Grand Gulf capacity charges.  
11 These refunds to retail customers were authorized by the APSC in the  
12 following cases: (1) Order No. 3 in Docket No. 89-160-U; (2) Order No. 2  
13 in Docket No. 91-220-U; and (3) Order No. 1 in Docket No. 94-449-U.  
14

15 Q. WHAT METHOD DID THE COMMISSION AUTHORIZE FOR THE  
16 REFUNDS IN THESE CASES?

17 A. In Docket No. 89-160-U, EAI set out three options for passing a SERI  
18 credit along to retail customers: a temporary reduction in Rider M33 rates,  
19 a refund check to individual customers, or a credit on customers' bills.  
20 Arkansas Electric Energy Consumers and the APSC General Staff  
21 recommended the use of bill credits. The Attorney General supported  
22 refund checks. The Commission ultimately concluded that bill credits  
23 were the most efficient and economical method to pass the SERI credit

1 along to retail customers. EAI attempted to locate and mail checks to  
2 former customers ("Inactive Customers") who were entitled to refunds of at  
3 least \$1.00. Inactive Customers who were owed a refund of less than a  
4 dollar were issued checks upon request. Consistent with Ark. Code Ann.  
5 § 23-4-205(e) and Commission practice, any refund checks returned to  
6 EAI or refund amounts otherwise not claimed after three years (including  
7 those of less than the minimum level) were applied as a credits against  
8 EAI's bad debt expense. Similar procedures were adopted in Docket Nos.  
9 91-220-U and 94-449-U.

10  
11 Q. ARE THERE ANY SIGNIFICANT DIFFERENCES IN THIS REFUND  
12 THAN IN THE PREVIOUS CASES?

13 A. Yes. In this case, the estimated level of the refund that SERI will make to  
14 EAI is significantly higher than previous refunds. The estimated retail  
15 refund level of \$62.5 million compares to \$13.4 million in Docket No.  
16 89-160-U, \$16.1 million in Docket No. 91-220-U, and \$17.9 million in  
17 Docket No. 94-449-U. In addition, EAI currently has pending before the  
18 APSC, in Docket No. 01-084-U, an application for approval of a Storm  
19 Recovery Rider, which is designated to recover storm-related operating  
20 and maintenance costs. As discussed later, the Arkansas retail portion of  
21 the SERI refund could be offset against the costs EAI incurred in restoring  
22 service after the December 2000 ice storms.

23

1 Q. HOW COULD THESE DIFFERENCES AFFECT THE REFUND  
2 METHODS THE COMMISSION SHOULD CONSIDER?

3 A. In prior cases, the Commission found that issuing checks to customers  
4 was not cost effective. Because the total amount to be refunded is  
5 significantly larger in this case, the cost of issuing checks is smaller  
6 relative to the size of the refund. The Company estimates that costs  
7 associated with issuing checks to all active customers, rather than bill  
8 credits as used historically, would be about 40 cents per check. The  
9 entire cost of such a check refund is estimated to be approximately  
10 \$277,000. In contrast, the estimated cost to apply a credit to active  
11 customers' bills and issue checks to inactive customers whose refund is  
12 greater than \$1.00 is estimated to be approximately \$17,000. If the check  
13 refund option is chosen by the Commission, the cost of providing the  
14 refund by check above the cost of issuing a credit on active customer bills  
15 should be deducted from the amount to be refunded to EAI's retail  
16 customers.

17  
18 Q. WHAT OTHER OPTION IS AVAILABLE IN THIS CASE?

19 A. As previously stated, the Commission is evaluating a request by the  
20 Company to implement a surcharge rider to collect costs relating to the  
21 restoration of facilities damaged during two ice storms in December 2000.  
22 The refund amount could be used to offset the storm recovery costs,  
23 thereby, reducing either the monthly rate of the surcharge or the time

1 period that the proposed storm recovery rider will be in effect, or some  
2 combination of the two.  
3

4 Q. WHAT ARE THE ADVANTAGES OF APPLYING THE REFUND IN THIS  
5 WAY?

6 A. Applying the refund to offset the restoration cost caused by the two ice  
7 storms of December 2000 would greatly reduce the amount to be  
8 recovered. Lowering these expenses would decrease either the rate (from  
9 \$2.50 to \$1.57 for a residential customer using 1,000 kWh) or the time the  
10 Storm Recovery Rider would be in effect (from 78 months to 45 months),  
11 or some combination of the two. This refund method would eliminate all  
12 the expense and administration cost of applying the refund to the bills of  
13 customers or issuing checks to customers.  
14

15 **B. Calculation of Individual Customer Refunds**

16 Q. PLEASE DESCRIBE THE PROCEDURE APPROVED BY THE  
17 COMMISSION IN DOCKET NO. 94-449-U TO CALCULATE THE  
18 AMOUNT OF THE REFUND DUE TO EACH CUSTOMER.

19 A. The refund procedures approved by the Commission in Docket No. 94-  
20 449-U are described below:  
21

1           1.     Rate Class Allocation

2           The retail portion of the SERI refund was allocated to EAI's  
3           Arkansas retail rate classes based on each class' relative  
4           proportion to the total rate class revenues in EAI's last general rate  
5           proceeding, Docket No. 84-249-U. This allocation was the same as  
6           that utilized to allocate Grand Gulf capacity costs in determining the  
7           Rider M33 revenue requirement.

8           2.     Refund Rates

9           The amount credited to each rate class was converted to a refund  
10          rate that was applied to the consumption of the individual  
11          customers within that class. The refund amount allocated to each  
12          rate class was divided by the billing determinants (kW or kWh) for  
13          that rate class during the most recent twelve-month period  
14          (December 1993 to November 1994) to determine the refund rate  
15          for that class. The refund rate for each class was then multiplied by  
16          the total billing determinants for the same period (December 1993  
17          to November 1994) for each customer within that class to  
18          determine the refund amount due each customer. However, a few  
19          of EAI's larger customers were on special fixed rate contracts which  
20          are not impacted by Rider M33 and, therefore, were not entitled to  
21          a credit.



1           3.     Interest

2           The SERI refund included interest owed by SERI during the SERI  
3           refund period. A portion of the SERI interest was included in the  
4           refund to each EAI retail customer consistent with the interest  
5           calculation used by SERI. SERI's interest portion ceased with its  
6           refund to EAI. EAI included interest in the retail customer refund  
7           from the time it received the credit from SERI to the date the credit  
8           was made to the retail customers. The EAI portion of the interest  
9           was based on the after-tax cost of money rate utilized in the  
10          November 1, 1994, Rider M33 update.

11          4.     Sales/Franchise Tax Refunds

12          EAI refunded the appropriate amount of sales taxes and franchise  
13          taxes related to the SERI credit on a customer-by-customer basis.

14          5.     Reporting Procedure and Refund Difference

15          EAI filed reports with the Commission showing the number of  
16          customers by rate class and the cumulative amount of refunds  
17          actually made. EAI also reported the number of customers and  
18          related refunds outstanding. The difference between the approved  
19          retail refund and the retail refund accomplished by the process was  
20          included as an adjustment in the Arkansas retail fuel adjustment.

21  
22   Q.   WHAT PROCEDURE FOR CALCULATING THE INDIVIDUAL  
23   CUSTOMER REFUND DOES EAI RECOMMEND?

1 A. The Company recommends the above described procedure approved in  
2 Docket No. 94-449-U as the method to calculate the current SERI refund  
3 to each EAI retail customer. Based on this methodology, EAI Exhibit APF-  
4 3 provides an estimate of the refund rate for each rate class for the bill  
5 credit option and the check refund option. The difference in the two  
6 options relates to the different costs associated with implementing the two  
7 options. Any difference between the actual refund amount and the  
8 amount refunded through this procedure will be adjusted in the next  
9 redetermination of EAI's Energy Cost Recovery – Rider ECR rate,  
10 consistent with the procedure approved by the Commission in Docket No.  
11 99-249-U.

12

13 Q. WHAT INTEREST RATE SHOULD EAI PAY FROM THE TIME IT  
14 RECEIVES THE SERI REFUND UNTIL EAI REFUNDS THE RETAIL  
15 PORTION OF THE SERI REFUND TO ITS CUSTOMERS?

16 A. The interest rate used in Docket No. 94-449-U is no longer utilized in  
17 Rider M33 because it related to the deferral balance of Rider M33 which  
18 ceased in November 1998. The interest rate proposed by EAI is the after-  
19 tax cost of money rate based on the Benchmark Rate of Return on Rate  
20 Base used in EAI's Regulatory Earnings Review filed May 1, 2001.

21

1    **C.    Other Considerations**

2    Q.    WHEN WOULD THE REFUNDS BE MADE TO EAI'S ARKANSAS  
3    RETAIL CUSTOMERS?

4    A.    SERI made the required compliance filing of its revised tariff with the  
5    FERC on August 29, 2001. The FERC historically has taken 30 to 60  
6    days to approve a compliance filing. The FERC Order stated that "[w]ithin  
7    30 days of the acceptance of the compliance filing, SERI shall make  
8    refunds, together with interest calculated pursuant to 18 C.F.R." This  
9    schedule would indicate that SERI would provide a refund to EAI  
10   sometime during the fourth quarter of this year. EAI expects to be able to  
11   process refunds to its retail customers 30 to 60 days after receipt of the  
12   SERI refund. This timetable assumes that FERC will approve SERI's  
13   compliance filing in a timely manner. Any protest to SERI's compliance  
14   filing at FERC could delay the FERC's approval of the filing.

15

16   Q.    HOW WILL THE SERI REFUND TO EAI BE REFLECTED IN THE  
17   ANNUAL RIDER M33 UPDATES?

18   A.    Each Rider M33 update develops the prior over/under recovery based on  
19   the preceding twelve-month period ending September 30. The calculation  
20   of the over/under recovery amounts for the year ended September 30,  
21   2001, which will be used in the next Rider M33 rate update to be filed on  
22   or before November 1, 2001, will reflect the SERI billings based on the  
23   Presiding Judge's Initial Decision. Additionally, the over/under recovery

1           period of October 2001 through September 2002 in the November 2002  
2           Rider M33 update will reflect the SERI billings based on the Presiding  
3           Judge's Initial Decision until the time that SERI begins to bill under the  
4           FERC approved compliance tariff. This must be done to avoid refunding  
5           twice the difference between the capacity charges billed under the  
6           Presiding Judge's Initial Decision in Rider M33 and the FERC approved  
7           compliance tariff for these months.

8

9    Q.    DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

10   A.    Yes.

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE  
APPLICATION OF ENTERGY  
ARKANSAS, INC. FOR APPROVAL  
OF A PLAN OF REFUND

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DOCKET NO. 01-\_\_\_\_-U

EAI EXHIBIT APF-1

EDUCATIONAL AND PROFESSIONAL BACKGROUND OF  
ANDREW P. FRITS

EDUCATIONAL AND PROFESSIONAL BACKGROUND OF  
ANDREW P. FRITS

1 EDUCATIONAL AND PROFESSIONAL BACKGROUND

2 I hold a Bachelor of Science Degree in Accounting from Mississippi State  
3 University and have completed additional studies at the University of Michigan  
4 Business School, The Wharton School (University of Pennsylvania) and the  
5 Southeastern Electric Exchange Middle Management School.

6 I am a Certified Public Accountant licensed in the state of Arkansas. I am  
7 a member of the American Institute of Certified Public Accountants and the  
8 Arkansas Society of Certified Public Accountants.

9 BUSINESS EXPERIENCE

10 I was employed by Entergy Arkansas, Inc. ("EAI"), formerly Arkansas Power &  
11 Light Company, from 1973 to 1977 in the position of Accountant. In this position,  
12 I was responsible for journal entries, financial analysis, and financial reporting.

13 From 1977 through 1980, I was General Manager for Tri-State  
14 Enterprises, a distributor of automobile products to new car dealerships in four  
15 states.

16 In 1980, I rejoined EAI as a Rate Analyst in the Rate Department. In this  
17 position, I was involved in the development of cost of service studies, assisted in  
18 the development of the EAI Arkansas Nuclear One decommissioning Rate Rider  
19 M26, and prepared various financial analyses.

20 From late 1980 through 1991, I held the positions as Manager, Financial  
21 Data and Corporate Records; Manager, General Accounting; and Manager,  
22 Property Accounting for EAI. In these positions, I managed the preparation of

1 the Federal Energy Regulatory Commission Form 1; Security and Exchange  
2 Commission Forms 10-K, 10-Q, 8-K, Rule 24 certification; and various other  
3 financial reports. I was responsible for maintaining the integrity, timeliness and  
4 accuracy of the Company's financial records and property records in accordance  
5 with generally accepted accounting principles and Federal and State regulatory  
6 requirements.

7 From 1991 through 1993, I served as Executive Assistant to the President  
8 of EAI. In this position, I coordinated tasks within the Executive Management  
9 group, participated in special projects and performed special studies for the  
10 President.

11 From 1993 through 1996, I was Controller for Entergy's independent  
12 power division. In this position, I was responsible for all accounting functions and  
13 financial information relating to Entergy's non-regulated international  
14 investments.

15 From 1997 through February, 1999, I was Director of Business  
16 Management for Entergy's non-regulated telecommunications division. In this  
17 role, I was responsible for business planning, accounting, forecasting, and  
18 budgeting for Entergy's non-regulated telecommunications investments. For  
19 seven months during this period, I was also Acting Chief Financial Officer for  
20 Entergy Security Corporation.

21 In March 1999, I accepted my current position with Entergy Services, Inc.  
22 as Director of Regulatory Support. I direct the preparation of cost of service  
23 studies for Entergy's five operating companies, and development of formula rates  
24 and certain special-purpose rates. In addition, my department is responsible for  
25 providing broad analytical support to all parts of the Company in the area of  
26 revenue requirement.

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE  
APPLICATION OF ENTERGY  
ARKANSAS, INC. FOR APPROVAL  
OF A PLAN OF REFUND

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DOCKET NO. 01-\_\_\_\_-U

EAI EXHIBIT APF-2

ENTERGY ARKANSAS, INC.  
2001 SERI REFUND  
ESTIMATE OF EAI RETAIL REFUND



**ENTERGY ARKANSAS, INC.**  
**2001 SERI REFUND**  
**ESTIMATE OF EAI RETAIL REFUND**  
**REFUND PERIOD OF DECEMBER 1995 THROUGH SEPTEMBER 2001**

| Line No | Date   | EAI Portion<br>M33 vs<br>FERC Order<br>COS (1) | Arkansas<br>Retail<br>Allocator (2) | Arkansas<br>Retail<br>Portion | Current<br>Recovery<br>Share (3) | EAI<br>Retail Refund |
|---------|--|--|-------------------------------------|-------------------------------|----------------------------------|----------------------|
| 1       | December 12, 1995 -<br>December 31, 1997                             | \$49,800,000                                   | 88.59%                              | \$44,117,820                  | 78.00%                           | \$34,411,900         |
| 2       | January 1, 1998 -<br>September 30, 2001                              | 13,200,000                                     | 86.13%                              | 11,369,160                    | 78.00%                           | 8,867,945            |
| 3       | Grand Gulf Accelerated Recovery (4)                                  |  |                                     |                               |                                  | 3,320                |
| 4       | Carrying Charges (5)   |  |                                     |                               |                                  | 19,250,412           |
| 5       | <b>Total Refund Amount for Bill Credits / Storm Recovery Options</b> |  |                                     |                               |                                  | <b>62,533,577</b>    |
| 6       | Estimated Incremental Cost of Check Processing Option (6)            |  |                                     |                               |                                  | (260,000)            |
| 7       | <b>Total Refund Amount for Check Refund Option</b>                   |  |                                     |                               |                                  | <b>\$62,273,577</b>  |

**Notes:**

(1) The estimates used in this calculation were developed prior to FERC approval of the SERI compliance filing and are subject to change. The estimated refunds are for the period December 12, 1995 through September 30, 2001 ("Refund Period"). The months of December 12, 1995 through September, 1997 reflect the difference between the level of Grand Gulf capacity charges based on the May 12, 1995 proposed rate change as billed through Rider M33 and the July 31, 2000 FERC Order. The months of October, 1997 through September, 2001 reflects the difference between the level of Grand Gulf capacity charges based on the Presiding Judge's Initial Decision as billed through Rider M33 and the July 31, 2000 FERC Order.

(2) The months of December 12, 1995 through December 31, 1997 reflect the allocation factor from APSC Docket No. 84-249-U as used in Rider M33. The allocation factor used in Rider M33 was changed in APSC Docket No. 96-360-U effective January 1, 1998.

(3) Current Recovery Share as set out in Order No. 8 in APSC Docket No. 88-115-TF for years 1994 and all succeeding years is the amount approved for EAI to recover from the Arkansas retail customers (28.08% / 36% = 78%).

(4) This amount is the difference between the Grand Gulf Accelerated Recovery ("GGART") as billed and the revised GGART due to the change in the cost of capital as stated in the July 31, 2000 FERC order.

(5) The carrying charges for the Refund Period were calculated pursuant to FERC 18 C.F.R. § 35.19a (1998). The carrying charges for the period after EAI receives the SERI refund until the time the refund is made to retail customers will be the after-tax cost of money rate based on the Benchmark Rate of Return on Rate Base in the EAI Regulatory Earnings Review, filed May 1, 2001.

(6) This reflects an estimate of the difference between the costs to apply bill credits to customers' bills and the cost to process checks to be mailed to customers.



BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE  
APPLICATION OF ENTERGY  
ARKANSAS, INC. FOR APPROVAL  
OF A PLAN OF REFUND

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DOCKET NO. 01-\_\_\_\_-U

EAI EXHIBIT APF-3

ENTERGY ARKANSAS, INC.  
2001 SERI REFUND  
ESTIMATE OF EAI RETAIL REFUND RATE

**ENTERGY ARKANSAS, INC.**  
**2001 SERI REFUND**  
**ESTIMATE OF EAI RETAIL REFUND RATE**  
**REFUND PERIOD DECEMBER 1995 THROUGH SEPTEMBER 2001**

| <b>Rates for Bill Credits</b> |   |                             |  |                                  |
|-------------------------------|---|-----------------------------|--|----------------------------------|
| <b>Rate Classes</b>           | <b>Revenues From<br/>96-360-U (1)<br/>(000's)</b> | <b>Estimated<br/>Refund</b> | <b>Estimated<br/>Billing Units (2)</b> | <b>Estimated<br/>Refund Rate</b> |
| 1 Residential                 | \$341,466   | \$29,140,872                | 6,602,755,525 kWh                      | \$0.004413 per kWh               |
| 2 Small General Service       | 155,411   | 13,262,849                  | 3,738,845,864 kWh                      | \$0.003547 per kWh               |
| 3 Large General Service       | 220,440   | 18,812,455                  | 17,837,836 kW                          | \$1.05 per kW                    |
| 4 Lighting                    | 15,437  | 1,317,401                   | 233,113,626 kWh                        | \$0.005651 per kWh               |
| 5 Total Retail                | <u>\$732,754</u>                                  | <u>\$ 62,533,577</u> (3)    |  |                                  |

| <b>Rates for Check Refund</b> |   |                             |  |                                  |
|-------------------------------|---|-----------------------------|--|----------------------------------|
| <b>Rate Classes</b>           | <b>Revenues From<br/>96-360-U (1)<br/>(000's)</b> | <b>Estimated<br/>Refund</b> | <b>Estimated<br/>Billing Units (2)</b> | <b>Estimated<br/>Refund Rate</b> |
| 6 Residential                 | \$341,466   | \$29,019,711                | 6,602,755,525 kWh                      | \$0.004395 per kWh               |
| 7 Small General Service       | 155,411   | \$13,207,705                | 3,738,845,864 kWh                      | \$0.003533 per kWh               |
| 8 Large General Service       | 220,440   | \$18,734,237                | 17,837,836 kW                          | \$1.05 per kW                    |
| 9 Lighting                    | 15,437  | \$1,311,924                 | 233,113,626 kWh                        | \$0.005628 per kWh               |
| 10 Total Retail               | <u>\$732,754</u>                                  | <u>\$ 62,273,577</u> (4)    |  |                                  |

**Notes:**

(1) Base rate revenue requirement from APSC Docket No. 96-360-U used to allocate the Grand Gulf demand revenue requirement to Arkansas rate classes under Grand Gulf Rider M33.

(2) Billing Units based on estimated sales for the calendar year 2001. Actual billing units will be the latest twelve-month period that is available.

(3) Refund for the period of December 12, 1995 through September 30, 2001 (See EAI Exhibit APF-2 Line 5.)

(4) Refund for the period of December 12, 1995 through September 30, 2001 after reduction of incremental cost of processing checks. (See EAI Exhibit APF-2 Line 7.)

**DOCUMENTS FILED WITH THE  
ARKANSAS PUBLIC SERVICE COMMISSION**

**ON OCTOBER 11, 2001**

**IN APSC DOCKET NO. 01-209-U**

**SYSTEM ENERGY RESOURCES, INC.  
REFUND FOR GRAND GULF CAPACITY CHARGES  
TO ENTERGY ARKANSAS, INC.**

OCT 11 3 22 PM '01

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE APPLICATION OF  
ENTERGY ARKANSAS, INC. FOR APPROVAL  
OF A PLAN OF REFUND

)  
)  
)  
DOCKET NO. 01-209-U

JOINT MOTION TO APPROVE  
STIPULATION AND SETTLEMENT AGREEMENT

COME NOW Entergy Arkansas, Inc. (EAI), the Office of the Attorney General (AG), Arkansas Electric Energy Consumers, Inc. (AEEC), and the General Staff (Staff) of the Arkansas Public Service Commission, being all the parties to this docket (collectively, the Parties), and for their Joint Motion to Approve Stipulation and Settlement Agreement, state as follows:

1. EAI, the AG, AEEC, and Staff have reached agreement on the issues of the refund method and the calculation procedure for the refund in this Docket. This agreement is set forth in the Stipulation and Settlement Agreement attached hereto as Joint Exhibit A. By this Joint Motion, the Parties are requesting that the Commission approve the Stipulation and Settlement Agreement.

2. EAI and the Staff, respectively, are, concurrently with this Motion, filing the Prepared Testimony in Support of the Stipulation and Settlement Agreement of Steven K. Strickland and Donna Gray.

3. The Parties have also agreed to waive cross examination of each other's witnesses should the Commission hold the hearing in this Docket, now scheduled for October 15, 2001.

WHEREFORE, Entergy Arkansas, Inc., the Office of the Attorney General, Arkansas Electric Energy Consumers, Inc., and the General Staff of the Arkansas Public Service Commission pray that the Commission issue an order approving the Stipulation and Settlement Agreement attached hereto, and granting them all other necessary and proper relief.

Respectfully submitted,

General Staff of the Arkansas  
Public Service Commission

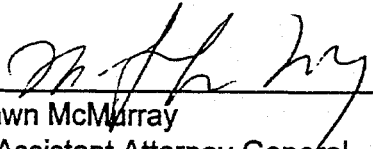
By: Valerie F. Boyce  
Valerie F. Boyce  
Staff General Counsel  
1000 Center Street  
P.O. Box 400  
Little Rock, AR 72203-0400  
(501) 682-2047

Entergy Arkansas, Inc.

By: Jeff Broadwater  
Jeff Broadwater  
425 West Capitol Ave.  
P.O. Box 551  
Little Rock, AR 72203  
(501) 377-4372

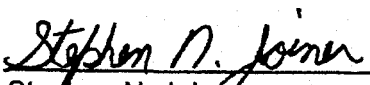
Office of the Attorney General

By:

  
Shawn McMurray  
Sr. Assistant Attorney General  
323 Center Street, Suite 200  
Little Rock, AR 72201  
(501) 682-2007

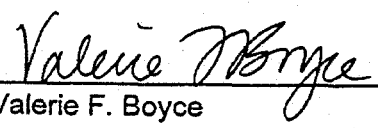
Arkansas Electric Energy Consumers, Inc.

By:

  
Stephen N. Joiner  
Rose Law Firm  
120 East Fourth  
Little Rock, AR 72201  
(501) 377-0329

**CERTIFICATE OF SERVICE**

I, Valerie F. Boyce, hereby certify that a copy of the foregoing Joint Motion has been served on all parties of record by forwarding the same by email and/or first class mail, postage prepaid, this 11th day of October, 2001.

  
Valerie F. Boyce



BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

|                                     |   |                     |
|-------------------------------------|---|---------------------|
| IN THE MATTER OF THE APPLICATION OF | ) |                     |
| ENTERGY ARKANSAS, INC. FOR APPROVAL | ) | DOCKET NO. 01-209-U |
| OF A PLAN OF REFUND                 | ) |                     |

STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement (Stipulation) is made by Entergy Arkansas, Inc. (EAI), the Office of the Attorney General (AG), Arkansas Electric Energy Consumers, Inc. (AEEC) and the General Staff (Staff) of the Arkansas Public Service Commission (APSC), being all the parties to this docket. This Stipulation is voluntarily executed and intended to bind EAI, the AG, AEEC and Staff. EAI, the AG, AEEC, and Staff believe that this Stipulation is in the public interest and recommend that the Commission approve and adopt it as the basis for identifying the refund method and the calculation procedure for the refund in this docket.

On August 31, 2001, EAI filed an Application for Approval of a Plan of Refund for an estimated \$62.5 million which EAI is scheduled to receive from System Energy Resources, Inc. (SERI) as a result of a Federal Energy Regulatory Commission (FERC) Order on July 31, 2001.<sup>1</sup> EAI proposed three different methods for the Commission's consideration by which EAI's Arkansas retail customers would receive the benefit of their portion of the SERI refund. EAI also proposed that the individual refunds be calculated

---

<sup>1</sup> Order No. 446, 92 FERC ¶ 61,119 (2000), addressing a proposed amendment to Rate Schedule FERC No. 2, the Unit Power Sales Agreement.

according to the procedures approved by the APSC in Docket No. 94-449-U, as explained in the Direct Testimony of EAI witness Andrew P. Frits.

Staff, the AG, and AEEC have reviewed the Application and supporting testimony filed by EAI in this docket, have discussed their positions, and now seek to achieve a resolution of this docket in a manner which each believes serves the public interest. Staff, EAI, the AG, and AEEC now believe that they have achieved such a resolution and have agreed to urge the Commission to issue an order in this docket that incorporates that resolution so that the issuance of refund checks to EAI's Arkansas retail customers can be accomplished expeditiously.

In order to resolve the issues in this docket on the refund method and the calculation procedure for the refund, Staff, EAI, the AG, and AEEC have agreed, after consideration of their respective positions, to recommend the following to the Commission:

1. Retail Allocation: The Arkansas retail portion of the SERI refund shall be determined utilizing the Arkansas retail allocation percentages as reflected in the development of the Grand Gulf Rider M33 charges throughout the period of December 12, 1995 through the date SERI's rates are lowered to reflect the FERC order (refund period). The allocation percentage from December 12, 1995 through December 31, 1997 shall be 88.59% as determined in Docket No. 84-249-U. The allocation percentage from January 1, 1998 through the date SERI's rates are lowered to reflect the FERC order shall be 86.13% as determined in Docket No. 96-360-U.

2. Rate Class Allocation: The retail portion of the SERI refund shall also be allocated to EAI's Arkansas retail rate classes consistent with the allocations reflected in

the development of the Grand Gulf Rider M33 charges throughout the refund period. The Arkansas retail rate class allocation shall be based on each class' relative proportion to the total Arkansas retail base rate revenue requirement. For the period December 12, 1995 through December 31, 1997 each class' relative proportion to the total Arkansas retail base rate revenue requirement shall be based on Docket No. 84-249-U, and for the period January 1, 1998 through the date SERI's rates are lowered to reflect the FERC order shall be based on Docket No. 96-360-U.

3. Refund Rates: To determine the refund amount for each rate class, the amount allocated to each rate class shall be divided by the actual billing determinants (kW or kWh, as applicable) for that rate class for the first billing cycle of December 1995 through the end of the billing cycle month prior to the calendar month in which SERI's rates are lowered to reflect the FERC order. The refund rate for each class shall be multiplied by the total billing determinants for the same period for each customer within that class to determine the refund amount due to each customer.

Customers on special rate contracts who were not charged the approved Rider M33 rates during the refund period shall likewise not be entitled to a refund of those charges. EAI's 2001 Evaluation Report in Docket No. 98-114-U shall include the refund amounts, inclusive of applicable SERI and EAI refund interest, for 2001 which otherwise would have been allocated to those special rate contract customers. For the years 2000, 1999, 1998, and 1997, EAI shall be required to calculate the amount of excess earnings that would otherwise have occurred assuming the allocation of Rider M33 to those special rate contract customers in those years had been based on the Grand Gulf purchased power

rates approved by FERC in its Order No. 446. EAI shall add such excess earnings, including applicable SERI and EAI refund interest, to the Transition Cost Account (TCA) balance with interest accruing as of January 1, 2002. The Company's calculations of such excess earnings shall be filed with its 2001 Evaluation Report. For 1995 and 1996, years prior to the establishment of the TCA procedure, EAI shall retain the allocation of the refund that would have been attributable to those special rate contract customers had they paid the approved Rider M33 rates.

4. Interest: The SERI refund will include interest owed by SERI during the SERI refund period. The SERI interest will be included in the refund to each EAI retail customer consistent with the interest calculation used by SERI and approved by FERC. Interest shall further accrue from the date that FERC's calculation of interest ends through the date on which the SERI refund is returned to customers. EAI shall use, for this period, an interest rate of 7.04%, which is equal to the after-tax cost of money rate based on the benchmark rate of return on rate base used in EAI's Regulatory Earnings Review for 2001.

5. Sales/Franchise Tax Refunds: EAI shall refund the appropriate amount of sales taxes and franchise taxes related to the SERI refund on a customer-by-customer basis.

6. Method of Refund: The refund, including interest and applicable franchise and sales taxes, shall be distributed to retail customers by mailing refund checks to all current and inactive customers entitled to a refund. Customers with inactive accounts, customers during the refund period who no longer have an active account, shall receive refund checks, but their refunds would first be offset against any outstanding account

receivables; and any balance equal to or greater than a minimum refund amount of one dollar would then be mailed to their last known address. EAI shall not be required to send out refund checks of less than one dollar unless an inactive customer due less than one dollar requests a refund. Active customers due a refund of less than one dollar will have their account credited the refund amount. EAI shall work with Staff to develop an insert explaining the refund and EAI shall include the insert when each refund check is mailed or bill credited. Any refund checks returned and any refunds not claimed after three (3) years, including those of less than one dollar, shall be applied as a credit against the bad debt expense of EAI, as directed by Ark. Code Ann. §23-4-205(e)(2). Interest at the rate of 7.04% shall accrue on any final unrefunded amounts for the purpose of calculating the credit against bad debt expense.

7. Costs of Issuing Checks and Data Retrieval: The costs incurred by EAI related to the issuance of refund checks (estimated by EAI to be \$277,000) and related to the retrieval of customer data back to December 1995 (estimated by EAI to be \$300,000) shall not be deducted from the refund amount, but shall be treated as operating expenses subject to normal audit procedures for the purpose of conducting the Regulatory Earning Review for calendar year 2001 in Docket No. 98-114-U.

8. Data Retrieval: Based on the experience of other Entergy operating companies, EAI estimates that it will take approximately fifty (50) working days to retrieve customer data from December 1995 to the present plus two (2) additional weeks to calculate the individual refunds. EAI shall use its best efforts to accomplish this task in an expeditious manner.

9. Final Refund Determination: Because the Application reflects an estimated refund amount, EAI shall file for review and approval in this docket the exact refund amount EAI will refund to its retail customers within ten (10) days after the SERI refund is made to EAI. EAI shall also file in this docket, as soon as the historical data can be staged, verified, and adjusted as may be appropriate, an exhibit detailing the billing determinants by rate class for the refund period, as well as all adjustments thereto, and the final refund rates for Commission approval. Such rates shall be calculated consistent with the provisions of this Stipulation as approved by the Commission.

10. Publication of Notices of Refunds: EAI shall work with Staff to develop a notice explaining the refund and noting that eligible inactive customers who do not receive a check within a certain number of days after the commencement of the refund should contact EAI. Upon Commission approval of the refund amounts, EAI shall be required to publish, in a timely matter, this notice in a newspaper of statewide circulation.

11. Reporting Requirements: EAI shall file the following reports, updated every six months, in order to allow Staff and other parties to monitor the refund process.

- (1) A report showing, by rate class and for active and inactive accounts, the total amount of the refund monies by principal, sales tax, municipal franchise taxes, interest, and total refund.
- (2) A frequency analysis, by rate class and for active and inactive accounts, showing the number of accounts and aggregate refund amounts within appropriate ranges, with the first range set of refund of less than one dollar.

- (3) A report showing, by rate class and for active and inactive accounts, the number of accounts and the dollar amount of related refund accomplished, and reporting the number of accounts and amount of refunds outstanding or returned to sender address unknown.

Further, after three years from the date of the Commission's order approving the refund rates and allowing the refund to commence, a final report shall be filed which discloses the amount of the refund applied to bad-debt expense and the journal entries involved.

12. Staff, EAI, the AG, and AEEC hereby agree to the settlement of all the pending issues in this docket as they relate to the refund method and the calculation procedure for the refund in this docket and, should the Commission set this case for hearing, agree to waive their respective rights to cross-examine any witness of either party who would have been called at the hearing scheduled in this docket to support the respective positions of Staff, EAI, the AG, or AEEC.

13. This Stipulation is designed to complete and resolve all the issues in this docket as they relate to the refund method and the calculation procedure for the refund in this docket.

14. In signing and submitting this Stipulation, Staff, EAI, the AG, and AEEC recommend to the Commission a resolution of the issues presently pending in this docket. However, by signing and submitting this Stipulation, neither Staff, EAI, the AG, nor AEEC shall be deemed to have approved or acquiesced in any specific methodologies, procedures, calculation techniques, recommendations, or conclusions set forth in the testimony of any party or underlying any of the provisions in this Stipulation. Further, none

of the provisions in this Stipulation shall constitute an admission by Staff, EAI, the AG, or AEEC.

15. This Stipulation shall not have any precedential value in any other proceeding except to the extent necessary to give effect to the terms of this Stipulation.

16. The agreements contained in this Stipulation have resulted from negotiations between the signatory parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation in its entirety, this Stipulation shall be void and neither Staff, EAI, the AG, nor AEEC shall be bound by any of the agreements or provisions hereof. None of the provisions of this Stipulation shall prejudice, bind, or otherwise affect any party executing this Stipulation should the Commission decide not to approve this Stipulation in its entirety without modification or condition.

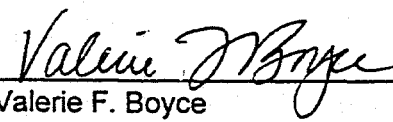
17. Staff, EAI, the AG, and AEEC agree that this Stipulation is in the public interest and recommend that the Commission expeditiously adopt and approve this Stipulation.

Dated this 11<sup>th</sup> day of October, 2001.

Respectfully submitted,

General Staff of the Arkansas  
Public Service Commission

By:

  
Valerie F. Boyce  
Staff General Counsel  
1000 Center Street  
P.O. Box 400  
Little Rock, AR 72203-0400  
(501) 682-2047



Entergy Arkansas, Inc.

By: \_\_\_\_\_

Jeff Broadwater  
425 West Capitol Ave.  
P.O. Box 551  
Little Rock, AR 72203  
(501) 377-4372

Office of the Attorney General

By: \_\_\_\_\_

Shawn McMurray  
Sr. Assistant Attorney General  
323 Center Street, Suite 200  
Little Rock, AR 72201  
(501) 682-2007

Arkansas Electric Energy Consumers, Inc.

By: \_\_\_\_\_

Stephen N. Joiner  
Rose Law Firm  
120 East Fourth  
Little Rock, AR 72201  
(501) 377-0329

**CERTIFICATE OF SERVICE**

I, Valerie F. Boyce, hereby certify that a copy of the foregoing Stipulation and Settlement Agreement has been served on all parties of record by forwarding the same by email and/or first class mail, postage prepaid, this 11th day of October, 2001.

\_\_\_\_\_  
Valerie F. Boyce

OCT 11 3 21 PM '01

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE )  
APPLICATION OF ENTERGY )  
ARKANSAS, INC. FOR APPROVAL )  
OF A PLAN OF REFUND )

DOCKET NO. 01-209-U

STIPULATION TESTIMONY

OF

DONNA GRAY  
DIRECTOR, FINANCIAL ANALYSIS

ON BEHALF OF THE  
ARKANSAS PUBLIC SERVICE COMMISSION STAFF

OCTOBER 11, 2001

ENTERGY ARKANSAS, INC.  
DOCKET NO. 01-209-U  
STIPULATION TESTIMONY OF DONNA GRAY

INTRODUCTION

Q. Please state your name and business address.

A. My name is Donna Gray. My business address is Arkansas Public Service Commission (Commission), 1000 Center Street, Little Rock, Arkansas.

Q. What is your present position with the Arkansas Public Service Commission General Staff (Staff)?

A. I am Director of Financial Analysis.

Q. Please describe your qualifications and background.

A. I have twenty years experience in utility regulation and rate matters. I joined the Staff as a Financial Analyst in 1981, and was promoted to Financial Analyst Supervisor in 1985. My duties included various economic and financial analyses, most specifically, the determination of the required rate of return for jurisdictional utilities. In 1986 I was promoted to Manager of the Electric Utilities Section and was responsible for the development of Staff's case in electric utility rate cases and other rate-related matters before this Commission, including the cost of capital for electric utilities. I was promoted to Director of Operations in 1987 and assumed responsibility for Management Audits, Fiscal Audits, Compliance Audits, Capital Recovery, Quality of Service, and Gas Pipeline Safety. My responsibilities were later expanded to include Consumer Services. I assumed my current position in 1989 developing Staff's position on finance and capital recovery issues, assisting the Utility Industry Sections by conducting focused investigations and analyzing utility companies and utility company filings as directed, and serving

ENTERGY ARKANSAS, INC.  
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STIPULATION TESTIMONY OF DONNA GRAY

1 as Staff Project Manager in various cases, including this case.

2 From 1982 to 1987, I was an adjunct faculty member of a local junior college and  
3 instructed economics, statistics, accounting, and other general business courses. Prior to joining  
4 the APSC Staff, I was employed as a Budget and Fiscal Review Specialist with the Arkansas  
5 Legislative Council.

6 My educational qualifications include a Bachelor of Science in Finance from Southwest  
7 Missouri State University and a Master of Business Administration from the University of  
8 Arkansas at Fayetteville. I have attended numerous regulatory training seminars, including  
9 NARUC's two-week Annual Regulatory Studies Program at Michigan State University, the  
10 University of Toronto's Workshop on Public Utility Regulation - Cost of Capital to Public  
11 Utilities under the direction of Dr. Myron Gordon, and Standard & Poor's Corporation's  
12 Electric Utilities Bond Ratings and Risks.

13 I am a past member of the NARUC Staff Subcommittee on Management Analysis. I  
14 am also a member of the Society of Utility and Regulatory Financial Analysts (SURFA) and  
15 have served on the Board of Directors. I have been awarded the professional designation  
16 Certified Rate of Return Analyst (CRRRA) by SURFA, a designation awarded on the basis of  
17 experience and successful completion of a written examination.

18 I have testified in numerous cases before this Commission concerning the cost of  
19 capital, company-proposed debt and equity issuances, acquisitions, and various other capital  
20 requirement, revenue requirement, policy, and ratemaking issues, and I have assisted in the

ENTERGY ARKANSAS, INC.  
DOCKET NO. 01-209-U  
STIPULATION TESTIMONY OF DONNA GRAY

1 development of Staff's position in many more cases.

2 **PURPOSE OF TESTIMONY**

3 Q. What is the purpose of your testimony?

4 A. The purpose of my testimony is to offer support for the Stipulation and Settlement Agreement  
5 (Stipulation) filed today by the parties to this docket. The Stipulation sets forth the parties'  
6 recommendation to the Commission regarding the refund method and the calculation procedure  
7 to be used by Entergy Arkansas, Inc. (EAI) in refunding to its Arkansas retail ratepayers the  
8 System Energy Resources, Inc. (SERI) refund with interest, as a result of a recent final order by  
9 the Federal Energy Regulatory Commission (FERC) in a SERI rate case for Grand Gulf.<sup>1</sup>

10 **STIPULATION PROVISIONS**

11 Q. What does the Stipulation provide as to the calculation of the refund?

12 A. The Stipulation provides for the refund calculation to be consistent with the basis upon which  
13 Grand Gulf Rider M33 rates were actually developed and paid by Arkansas retail customers.  
14 Paragraph No. 1 provides that the retail allocation mirror the allocation used in the development  
15 of Rider M33 throughout the refund period, that being the Arkansas retail allocator used in the  
16 most recent rate case proceedings. Paragraph No. 2 also provides that the allocation among  
17 the classes be consistent with the development of Rider M33 throughout the refund period  
18 which also reflected the most recent rate proceedings. Paragraph No. 3 further provides that

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<sup>1</sup>FERC's July 30, 2001 Order No. 446-A, 96 FERC ¶ 61,165 (2001) denying SERI's request for rehearing

ENTERGY ARKANSAS, INC.  
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STIPULATION TESTIMONY OF DONNA GRAY

1 the refund amount per customer be based on customer usage during the refund period utilizing  
2 the first billing cycle of December, 1995 through the end of the billing cycle month prior to the  
3 month in which SERI's rates are lowered to reflect the FERC order.

4 Q. How does the Stipulation address special rate contract customers who did not pay the Rider  
5 M33 rates?

6 A. The Stipulation provides that if Rider M33 was not applied to a special rate contract customer,  
7 then the customer did not pay the charges and thus would not be entitled to a refund. For the  
8 year 2001, EAI shall include, in its 2001 Evaluation Report to be filed in Docket No. 98-114-  
9 U, the refund amounts, inclusive of interest, which otherwise would have been allocated to  
10 those special rate contract customers. For the years 1997 through 2000, the refund amounts  
11 which otherwise would have been attributable to those special rate contract customers if they  
12 had paid Rider M33 rates, shall be calculated and the additional excess earnings for each year,  
13 inclusive of interest, added to the Transition Cost Account (TCA), with TCA interest accrual  
14 beginning January 1, 2002 at the rate the Commission will establish in its order addressing the  
15 2001 Evaluation Report.

16 Q. How will interest be included in the refund amount?

17 A. FERC will approve a refund amount with interest. Additionally, interest will accrue from the  
18 time FERC's calculation of interest ends through the date EAI accomplishes the refund to its  
19 Arkansas retail customers. The rate of 7.04%, reflected as EAI's after-tax cost of capital in  
20 the most recent Regulatory Earnings Review Tariff filing in Docket No. 98-114-U, will be

ENTERGY ARKANSAS, INC.  
DOCKET NO. 01-209-U  
STIPULATION TESTIMONY OF DONNA GRAY

1 utilized from the period when FERC's interest calculation ends and EAI accomplishes the  
2 refund to Arkansas retail customers. Likewise, the final unrefunded amount will accrue interest  
3 during the three-year period after the checks are issued for the purpose of calculating the bad  
4 debt expense write down.

5 Q. Will taxes be included in the refund amount?

6 A. Yes. Taxes will be included on a customer-by-customer basis.

7 Q. How will the refunds be accomplished?

8 A. A.C.A. §23-4-205 provides that the Commission may require refunds by check. To my  
9 knowledge, the period involved for this refund is substantially longer, if not the longest, for EAI  
10 for the past several years and the amount of the total refund is significantly greater. EAI's  
11 testimony filed with its application estimated a rate of refund which would result in an  
12 approximate \$50 refund for a residential customer using 1,000 kWh per month. While the  
13 actual refund amount cannot be known until FERC has approved the final refund amount and  
14 the historical usage of customers is ascertained, the magnitude of the estimated refund supports  
15 a refund by means of check. However, the Stipulation also provides that EAI will not be  
16 required to write checks for amounts less than one dollar. Refunds of less than one dollar will  
17 be made by billing credit to customers who have an active account and, if requested, by check  
18 for inactive accounts.

19 Q. What does the Stipulation provide regarding the cost of issuing checks and retrieving the data?

20 A. The Stipulation provides that these expenses will be reviewed in the context of the Regulatory

ENTERGY ARKANSAS, INC.  
DOCKET NO. 01-209-U  
STIPULATION TESTIMONY OF DONNA GRAY

1 Earnings Review Tariff filing in Docket No. 98-114-U for the 2001 Evaluation Period.

2 Q. When will the actual amount of the refund be known?

3 A. The Stipulation requires EAI to file the exact SERI refund in this docket for review and  
4 approval within ten days after the SERI refund is made to EAI. EAI is also required to use its  
5 best efforts to expeditiously compile the information on historical usage for customers and to file  
6 that information with the Commission for review and approval of the final refund.

7 Q. Does the Stipulation require EAI to provide notice of the refund to customers?

8 A. Yes, it does. The Stipulation requires at a minimum that EAI publish notice in a newspaper of  
9 statewide circulation.

10 Q. Will Staff monitor the refund progress?

11 A. Yes. By means of the reporting outlined in the Stipulation, Staff should have the information  
12 needed to determine what additional efforts may be required to ensure refunds are received by  
13 customers, in particular inactive accounts, consistent with the requirements of A.C.A. § 23-4-  
14 205.

15 RECOMMENDATIONS

16 Q. What are your recommendations to the Commission?

17 A. The Stipulation provides a reasonable basis for effecting this refund in a timely manner and  
18 consistent with the basis on which Rider M33 rates were charged. The Stipulation includes  
19 interest during the entire period of the overcharge until refunds are made to customers. Given  
20 the magnitude of the estimated refund, the Stipulation provides the most flexibility for ratepayers



ENTERGY ARKANSAS, INC.  
DOCKET NO. 01-209-U  
STIPULATION TESTIMONY OF DONNA GRAY

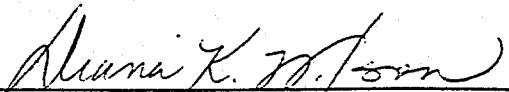
1           by accomplishing the refunds by check instead of bill credits, so that ratepayers can make their  
2           own decisions on how best to use this money. The Stipulation also recognizes the need for  
3           including the impacts of the refund in the TCA to ensure additional excess earnings with interest  
4           are captured during the refund period. Lastly, the Stipulation recognizes the need for notice to  
5           ratepayers and provides for reports which should assist Staff in monitoring the progress of the  
6           refunds to ensure diligent efforts are made to return the overcharges with interest to customers.  
7           For these reasons, I support the Stipulation as being in the public interest and recommend it be  
8           approved by the Commission.

9       Q.     Does this conclude your testimony?

10    A.     Yes, it does.

CERTIFICATE OF SERVICE

I, Diana K. Wilson, hereby certify that a copy of the foregoing Testimony has been served on all parties of record by forwarding the same by first-class mail, postage prepaid, this 11<sup>th</sup> day of October, 2001.

  
\_\_\_\_\_  
Diana K. Wilson  
Secretary of the Commission

OCT 11 3 17 PM '01

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE )  
APPLICATION OF ENTERGY )  
ARKANSAS, INC. FOR APPROVAL )  
OF A PLAN OF REFUND )

DOCKET NO. 01-209-U

PREPARED TESTIMONY

OF

STEVEN K. STRICKLAND

DIRECTOR, REGULATORY AFFAIRS -- ARKANSAS

ON BEHALF OF

ENTERGY ARKANSAS, INC.

OCTOBER 11, 2001

1    **I.       INTRODUCTION AND BACKGROUND**

2    Q.    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3    A.    My name is Steven K. Strickland.  My business address is 425 West  
4           Capitol Avenue, Little Rock, AR 72201.

6    Q.    BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

7    A.    I am Director, Regulatory Affairs of Entergy Arkansas, Inc. ("EAI" or the  
8           "Company").

10   Q.    PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND  
11           PROFESSIONAL EXPERIENCE.

12   A.    I joined Arkansas Power & Light Company, now EAI, in 1979 after  
13           graduation from college.  I worked in various engineering positions  
14           supporting generation operation and planning for several years.  My  
15           assignments primarily were associated with the evaluation of new  
16           generation, including joint venture cogeneration projects with some of the  
17           Company's largest industrial customers.  In 1985 I accepted new  
18           managerial responsibilities for account management with EAI's largest  
19           industrial customers and for economic development.  In 1987 and 1988 I  
20           served as executive assistant to the chairman of the board of Entergy  
21           Corporation at the corporate headquarters in New Orleans.  Since  
22           returning to Little Rock, I have had various responsibilities involving load

1 forecasting and regulatory affairs with the Company, and was named to  
2 my current position as Director, Regulatory Affairs in 1996.

3 I was awarded a Bachelor of Science in Chemical Engineering in  
4 1979 from the University of Arkansas. I also was awarded a Masters in  
5 Business Administration from the University of Arkansas at Little Rock in  
6 1982 and a Juris Doctorate degree from the University of Arkansas School  
7 of Law in 1985.

8  
9 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

10 A. I am testifying on behalf of EAI.

11  
12 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

13 A. Yes. I have provided Direct Testimony before the APSC in Docket No.  
14 00-177-U in EAI's stranded costs case.

15  
16 Q. WHAT IS THE PURPOSE OF YOUR PREPARED TESTIMONY IN THIS  
17 DOCKET?

18 A. The purpose of my Prepared Testimony is to support the Stipulation and  
19 Settlement Agreement (the "Stipulation") filed in this Docket on  
20 October 11, 2001, by EAI, the Office of the Attorney General of Arkansas  
21 (the "AG"), the Arkansas Electric Energy Consumers ("AEEC"), and the  
22 General Staff (the "Staff") of the Arkansas Public Service Commission  
23 ("APSC" or the "Commission").

1

II. SUPPORT FOR STIPULATION

2 Q. HOW DID THE STIPULATION COME ABOUT?

3 A. The Federal Energy Regulatory Commission ("FERC") recently resolved a  
4 rate proceeding involving the price of purchased power from System  
5 Energy Resources, Inc. ("SERI"), the subsidiary of Entergy Corporation  
6 that has a 90 percent ownership and leasehold interest in the Grand Gulf  
7 Nuclear Station ("Grand Gulf"). As a result of that case's conclusion, SERI  
8 will refund to EAI and other purchasers of power from Grand Gulf, an  
9 amount of money equivalent to the difference in rates that SERI had been  
10 charging its power purchasers subject to refund and the level the FERC  
11 approved, plus interest. The Company filed an Application for Approval of  
12 a Plan of Refund in which it identified three methods that the Commission  
13 could use to refund the amount of money due to EAI's retail customers  
14 and recommended that the Commission approve the procedure used in  
15 three previous refunds to calculate the amount of refund for each  
16 individual customer.

17 After EAI filed the Application, Company representatives met with  
18 members of the Staff on several occasions to explain the options EAI  
19 proposed to accomplish the refund and alternatives for how the individual  
20 customer refunds could be calculated, as well as the cost associated with  
21 each option and alternative. Staff then contacted EAI with a proposed

1 settlement of all issues associated with the refund. After several days of  
2 discussion, the Company agreed that it would support the Stipulation.

3

4 Q. IS APPROVAL OF THE STIPULATION IN THE PUBLIC INTEREST?

5 A. Yes. The Stipulation represents a settlement of many complex issues  
6 involving how the Arkansas retail portion of the refund that SERI will make  
7 to EAI should be returned to EAI's retail customers. This settlement will  
8 allow the Company to proceed with preparations for making that refund,  
9 expediting the whole process of when customers can receive their  
10 refunds. I urge the Commission to approve the Stipulation.

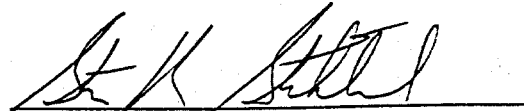
11

12 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

13 A. Yes, it does.

CERTIFICATE OF SERVICE

I, Steven K. Strickland, do hereby certify that a copy of the foregoing has been served upon all parties of record this 11th day of October 2001.

A handwritten signature in black ink, appearing to read 'S. K. Strickland', is written over a horizontal line.

Steven K. Strickland



**ARKANSAS PUBLIC SERVICE COMMISSION**

**ORDER NO. 4**

**ISSUED OCTOBER 15, 2001**

**IN APSC DOCKET NO. 01-209-U**

**SYSTEM ENERGY RESOURCES, INC.  
REFUND FOR GRAND GULF CAPACITY CHARGES  
TO ENTERGY ARKANSAS, INC.**

ARKANSAS PUBLIC SERVICE COMMISSION **Oct 15 2 33 PM '01**

**FILED**

IN THE MATTER OF THE APPLICATION OF )  
ENTERGY ARKANSAS, INC. FOR APPROVAL OF )  
A PLAN OF REFUND )

DOCKET NO. 01-209-U  
ORDER NO. 4

ORDER

On August 31, 2001, Entergy Arkansas, Inc. ("EAI") filed in the above-styled docket an *Application For Approval Of A Plan Of Refund* ("Application") for an estimated \$62.5 million which EAI is scheduled to receive from System Energy Resources, Inc. ("SERI") as a result of a Federal Energy Regulatory Commission Order issued on July 31, 2000.<sup>1</sup>

EAI, the Office of the Attorney General ("AG"), Arkansas Electric Energy Consumers ("AEEC"), and the General Staff of the Arkansas Public Service Commission ("Staff"), being all the parties to this docket (collectively, the "Parties"), on October 11, 2001, filed in this docket a *Stipulation And Settlement Agreement* ("Settlement Agreement") which resolves all outstanding issues in this proceeding.

Prepared written testimony in support of the Settlement Agreement was filed on October 11, 2001, by Ms. Donna Gray on behalf of Staff, and Mr. Steven Strickland on behalf of EAI.

Pursuant to Order No. 2, issued in this docket on October 1, 2001, a public hearing on EAI's Application, as well as the proposed Settlement Agreement, was conducted by the Commission on

---


<sup>1</sup>Order No. 446, 92 FERC ¶61,119 (2000), addressing a Proposed Amendment to Rate Schedule FERC No. 2, the Unit Power Sales Agreement.

October 15, 2001.

Based upon the joint recommendations of the Parties and the supporting testimonies of Ms. Gray and Mr. Strickland, the Commission finds that the Settlement Agreement is in the public interest and should be approved. Accordingly, the Settlement Agreement is approved and EAI is encouraged to exercise its best efforts to expedite the issuance of refund checks to its ratepayers.

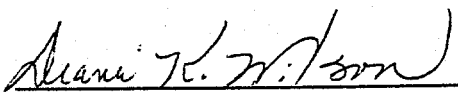
BY ORDER OF THE COMMISSION.

This 15<sup>th</sup> day of October, 2001.

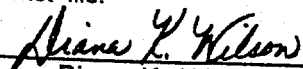
  
Sandra L. Hochstetter, Chairman

  
Betty C. Dickey, Commissioner

  
Lavenski R. Smith, Commissioner

  
Diana K. Wilson  
Secretary of the Commission

I hereby certify that the following order issued by the Arkansas Public Service Commission has been served on all parties of record this date by U.S. mail with postage prepaid, using the address of each party as indicated in the official docket file.

  
Diana K. Wilson  
Secretary of the Commission  
Date 10-15-01